

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL MEMORANDUM

HB 92 – SB 23

May 13, 2009

SUMMARY OF AMENDMENT (007842, 008321): Deletes all language after the enacting clause of the original bill. Authorizes the use of Type C and Type D buses for 17 years with annual waivers after the 12th and 15th years respectively. Requires Type C buses to have two inspections per year after the 12th year of service. Requires Type D buses to have two inspections per year after the 15th year of service. Prohibits buses with 15 years of service from being waiver eligible unless such buses are in service in the local education agency (LEA) by January 1 of the previous year. Requires maintenance logs to be kept on all buses from their service inception. These logs will contain all service records and safety inspections performed. Requires all buses operating in the 16th and 17th year of service to have less than 200,000 miles of recorded travel. Grants a 90 day replacement grace period for owners of buses to replace equipment that has reached the maximum service mileage or years. Requires the bus owner to notify the Department of Safety (DOS) that such buses have reached the maximum mileage or service year. Requires buses purchased out-of-state to be in service a minimum of four years before it is eligible for a service waiver. Encourages LEAs to use federal funding to retrofit school buses to improve air quality and lower emissions. Formally transfers the power to perform inspections and award yearly waivers from the Department of Education (DOE) to the DOS. Amendment 008321 added new language to the current amendment and authorizes the Department of Safety to collect inspection fees from the owner of the bus that is requesting the waiver for buses operating in the 16th and 17th years of service in such amount to make the cost of conducting these inspections revenue neutral. LEAs may opt to pay this fee for any bus servicing the LEA.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures – Not Significant

Decrease Local Expenditures – Net Impact – Exceeds \$1,000,000/
Permissive Over Time

Other Fiscal Impact – If transportation costs decrease as a result of LEAs choosing not to purchase new or used school buses, the BEP formula will generate less funding over time, thus decreasing state BEP and local BEP match expenditures.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures – Not Significant

Increase State Revenue – Not Significant

**Decrease Local Expenditures – Net Impact – Exceeds \$1,000,000
Permissive Over Time**

Other Fiscal Impact – If transportation costs decrease as a result of LEAs choosing not to purchase new or used school buses, the BEP formula will generate less funding over time, thus decreasing state BEP and local BEP match expenditures.

Assumptions applied to amendment:

- Buses of all types are limited to 200,000 miles of service. With this limit, the average bus service life is approximately 15 years. According to data from the Department of Education (DOE), buses run an average of 73 miles per day. There are 180 instructional days per school year. One bus will run approximately 13,140 miles per year. Bus life is approximately 15 years ($200,000 / 13,140 = 15.2$).
- The Department of Safety currently performs all inspections. Currently Type C buses are inspected two times per year after their 12th year of service, while Type D buses are inspected once annually for the life of their service.
- The number of buses that will be kept in service independent of any legislative allowance for longer service tenures is unknown. Each LEA operates differently with respect to purchasing new buses.
- According to the DOE's 2007-08 Annual Statistical Report, there was a 34 percent decrease in buses in service going from the 13th to the 14th year of service and a 49 percent decrease in buses in service going from the 13th year to the 15th year of service. The cause of the rapid decline in buses serving past the 13 year of service is unknown.
- Based upon the three assumptions above, it is assumed that some buses that would be eligible for waivers at the 15th year and thereafter will be taken out of service. Buses applying for waivers may not have a

year to year interest building effect in which more and more buses are granted waivers each year while less new buses are bought, causing a significant increase in the number of inspections performed over time

- Approximately 11 LEAs contract for their entire bus service. Ninety-five LEAs own their entire bus fleet. Sixteen LEAs have a combination of contracted and LEA-owned buses. Those LEAs that privately contract for service will not experience any direct savings in expenditures as a result of this bill.
- There are 106 Type C buses currently at the current maximum 15th year of service. There are approximately 214 Type D buses at the 15th or 16th year of service. If all 320 buses (106 + 214) are kept in service for the 2009-10 school year, approximately two buses per LEA will be kept in service that may have been otherwise retired ($320/136 = 2.4$). However, it is unknown if all of these buses will be kept in service.
- The average cost for a new Type C bus is \$60,000. The average cost for a Type D bus is \$75,000. While the exact cost ratio of bus repairs to bus purchases is unknown, it is estimated that there will be a permissive net decrease in local expenditures exceeding \$1,000,000 which would be the cost of 16 new Type C buses or 13 new Type D buses.
- The average cost for maintenance on a bus of either type that is 12 years or older is unknown, however it is estimated that the cost of maintenance is lower than the purchase price of a new bus.
- Any increase in state expenditures to formally transfer inspection and waiver granting duties to the DOS is estimated to be not significant.
- The number of buses that will need to be inspected in FY09 and subsequent years is not estimated to significantly increase. Therefore, it is estimated that the DOS will not experience a significant increase in workload that would otherwise require additional personnel.
- According to the U.S. Department of Education, a portion of the money from the American Recovery and Reinvestment Act (ARRA) may be used to purchase new school buses but cannot be used to retrofit older ones. This portion is a part of the Government Services Fund (GSF). Funding from the ARRA Education Stabilization Fund cannot be used for any bus expenditure. GSF money has been placed into the classroom and instructional component of the BEP to offset any cuts that would otherwise have been made in the FY09-10 and FY10-11 budget cycles. However, transportation dollars in the BEP come from the non-classroom component. ARRA funds have not been put into this component; therefore there is no increase from the ARRA that will be used for LEA transportation needs.
- The U.S. Environmental Protection Agency runs a grant program to retrofit older buses with cleaner emission equipment called Clean Bus USA. LEAs may apply for federal grant money to retrofit older school buses. Dependent upon the technology used, cost per bus will be

between \$5,000 and \$10,000. Any application for grant money will be permissive and would be independent of any state BEP money.

- Any increase in local expenditures to keep maintenance logs is estimated to be not significant.
- It is estimated that the number of buses continuing to be run into the 16th and 17th years of service is not significant; therefore any increase in state revenue or increase in local expenditures will be not significant.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

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